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**Committee on Natural Resources**  
**Washington, DC 20515**

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**Opening Statement by**  
**Chairman Doc Hastings**  
**House Committee on Natural Resources**  
**At the Subcommittee on Indian and Alaska Native Affairs**  
**Oversight Hearing on**  
***“Per Capita Act and Federal Treatment of Trust Per Capita Distributions”***  
**Friday, September 14, 2012 at 11:00 a.m.**

Thank you, Chairman Young, for scheduling this hearing. I welcome all three tribal witnesses who flew here from the Pacific Northwest to be with us today. Two of the witnesses – Executive Secretary Athena Sanchey Yallup and Chairman John Sirois [pronounced “CY-rus”] – are here representing the Yakama Nation and the Colville Tribes, respectively.

Both of these tribes are located in Eastern Washington, which is an area that I have the honor and privilege to represent.

Mr. Chairman, this hearing is needed to clarify ambiguous and potentially conflicting policies of the Obama Administration relating to the federal government’s income tax treatment of certain payments made by tribes to their enrolled members.

It is my understanding that for at least the last 50 years, distributions of per capita payments to enrolled tribal members have been considered non-taxable if those payments are derived from accounts held in trust by the Department of the Interior. These are accounts where funds from the development of a tribe’s trust resources – such as timber – and from judgments and claims are deposited. However, the IRS has notified several tribes that members receiving per capita payments sourced from trust timber resources are now taxable.

Meanwhile, the IRS has just issued a new notice declaring that certain per capita payments made by 55 tribes from funds in private accounts are not taxable. The funds in these accounts are derived from a recent tribal trust lawsuit settlement with the Obama Administration.

The discrepancy in the treatment of these payments is a source of great uncertainty to tribes everywhere, particularly those actively engaged in forest management, a vital activity in the Pacific Northwest sustaining thousands of jobs and driving the economies of many small towns.

The IRS’s policy potentially exposes many impoverished Indian people in Washington State to new, unexpected tax liabilities in a time of high unemployment and rising energy prices. And the policy seems to turn long-standing federal principles of Indian law on their head. Namely, lands reserved for Indian tribes under treaties, Acts of Congress, and Executive Orders are meant for the exclusive use and benefit of tribes.

In addition, inconsistent or unclear government tax policy always results in economic uncertainty. In the middle of a recession, the last thing that tribes need while trying to serve their members is more uncertainty with respect to the tax treatment of their tribal revenues.

I appreciate the Subcommittee clearing the air on this important issue, and look forward to hearing ideas for a resolution.